Exhibit 44

Highly Confidential
Bloomfield, CT

January 14, 2005

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1	UNITED STATES DISTRICT COURT
2	DISTRICT OF MASSACHUSETTS
3	Hartra-
4	No. 01CV12257-PBS
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	IN RE: PHARMACEUTICAL INDUSTRY *
8	AVERAGE WHOLESALE PRICE LITIGATION *
	*
. 9	*******
10	
11	DEPOSITION OF THOMAS E. GREENEBAUM, taken pursuant to
12	the Federal Rules of Civil Procedure, at CIGNA
13	Headquarters, 900 Cottage Grove Road, South Building,
14	Bloomfield, CT, before Diana M. Noel, a Registered
15	Professional Reporter, Certified Realtime Reporter,
16	and Licensed Shorthand Reporter No. 199, in and for
17 _	the State of Connecticut, on Friday, January 14, 2005,
18	commencing at 9:40 AM.
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2 (Pages 2 to 5)

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1	APPEARANCES:		1	THOMAS E. GREENEBAUM
2	FOR THE PLAINTIFFS:		2	having been first duly sworn, was examined and
3	EDWARD NOTARGIACOMO, ESQUIRE (By Telephone)	:	3	testified as follows:
1	HAGENN BERMAN		_ _	
4	One Main Street Fourth Floor		5	DIRECT EXAMINATION
5	Cambridge, MA 02141		1 .	-
6	. Tel: (617) 482-3700		6	BY MS. SCHOEN:
1	FOR THE DEFENDANTS:		7	Q. Hello, Mr. Greenebaum.
7	ESTELLA J. SCHOEN, ESQUIRE PATTERSON, BELKNAP, WEBB & TYLER, LLP		8	A. Hello.
8	1133 Avenue of the Americas		9	Q. My name is Estella Schoen. I'm from the law
٠	New York, NY 10036-6710 Tel: (212) 336-2000		10	firm of Patterson, Belknap, Webb & Tyler, and I'm here
	e-mail: eschoen@pbwt.com		11	today representing the Defendants in this matter.
10	FOR CONNECTICUT GENERAL LIFE INSURANCE COMPANY.		12	First let me ask you, have you ever been
11	AND THE DEPONENT, THOMAS E. GREENEBAUM:		13	deposed before?
12	PETER D. ST. PHILLIP, IR., ESQUIRE LOWEY DANNENBERG BEMPORAD & SELINGER, P.C.	•	14	A. No.
13	The Gateway		15	
13	One North Lexington Avenue White Plains, NY 10601	•	Į	QThen I'd like to go over a few ground rules
14	Tel: (914) 997-0500 e-mail: pstphillip@ldbs.com	_	16	which you may have already gone over with your counsel.
15	and			If I ask a question and that question is unclear in any
16	MICHAEL WADE, ESQUIRE Counsel - Legal & Public Affairs	٠.	18	way or you don't understand it, please let me know, and
17	CIGNA		19	I'll try to rephrase it or explain it better.
18 19	900 Cottage Grove Road, \$201 Hartford, CT 06152-5026	`	20	A. Uh-hum.
20	Tel: (860) 226-2457		21	Q. When I ask you a question, it's important
21 22	e-mail; michael.wade@cigna.com		22	that you answer verbally, not with a nod of the head or
	-	•		
		. 3		
1	INDEX OF EXAMINATION		1	shake of the head, because that just makes it difficult
2			2	for the court reporter to take down an answer.
3	DIRECT EXAMINATION BY MS. SCHOEN:4	i	3	A. Okay.
4	REDIRECT EXAMINATION BY MS. SCHOEN:	08	4	Q. And if you'd like to take a break at any
5	CROSS EXAMINATION BY MR. NOTARGIACOMO:		5	
6		101		time, please just let me know and we can take a break.
~	:		6	Do you understand that today you're here
 			7.	speaking on behalf of Cigna?
8		•	8	A. Yes.
9	INDEX OF EXHIBITS	•	9	Q. And did you do anything today to prepare for
10 ·	•	, .	10	this deposition?
11	Exhibit Greenebaum 00192		11	A. Yes.
12 -	•		12	Q. Just very generally, could you tell me what
13	Exhibit Greenebaum 002		13	you did?
14		-	14	A. We – I reviewed the issues that are
15	•		15	outstanding to familiarize myself with what I may be
16	MARKED QUESTION: 75:8		16	
17		ļ	•	asked in terms of questions.
ļ .	•		17.	Q. Besides any conversations you may have had
18			18	with your counsel, did you speak with anyone else in
19		- 1	19 _.	the company in preparation for your deposition here
20.			20	today?
21			21	A. Yes.
22	,		22	Q. Can you tell me who that was?
	-	-1		
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3 (Pages 6 to 9)

- 1 A. There were individuals just to give
 2 verification on time lines.
 3 Q. Can you tell me the position of those
 4 individuals in the company?
 5 A. I guess the it would be the Contracting
- 6 Group within Cigna Pharmacy along with our Clinical 7 Group.
- 8 Q. What is your title?
- 9 A. I'm the Chief Operating Officer of Cigna
- 10 Pharmacy.
- Q. I'd like to just step back for a moment and
 get a little information about your background?
- 13 A. Sure.
- 14 Q... Can you tell me about your educational
- background after high school.
 A. Yes. I have a B.S. in construction
- 17 administration, and an M.B.A. in finance.
- 18 Q. And can you tell me when did you start your
- 19 employment at Cigna?
- 20 A. Three years ago.
- 21 Q. Can you tell me in broad terms, prior to
- 22 coming to Cigna three years ago, about your employment

- all of Cigna Pharmacy.
- Q. Just to clarify, you were the COO of Tel-Drug
- 3 Pharmacy when you started in 19 -- well, 2001?
- A. No. 2002, January.
- Q. And then six months ago, you became the COO
- 6 of Cigna Pharmacy?
 - A. Right.
- 8 . Q. Can you tell me what Tel-Drug Pharmacy is?
- 9 A. Tel-Drug Pharmacy is a mail order pharmacy
- 10 that supports the Cigna Pharmacy benefit provided by11 Cigna Healthcare.
- Q. How long has Tel-Drug been functioning in
- 13 that capacity for Cigna?
- 14 A. Since 1993.
 - Q: And since 1993, has tell drug been the only
- 16 mail order pharmacy provider for Cigna?
- 17 A. Yes. Since '93.
- 18 Q. Since '93?
- 19 A. Yes.
- 20 Q. Do you know, between 1991 and 1993, how Cigna
- 21 if Cigna had a mail order pharmacy provider?
 - A. No.

- 1 background?
- 2 A. Employment background, I worked as a General
- 3 Manager of the Book of the Month Club, and prior to
- 4 that I was the Chief Operating Officer of Marvel
- 5 Entertainment, and prior to that I worked for an
- 6 entertainment products company in Wisconsin as -- in
- 7 varying levels.
- 8 Q. So would it be correct to say that prior to
- 9 coming to Cigna three years ago, you had not previously
- 10 worked in the health insurance industry?
- 11 A. That is true.
- 12 Q. What about the healthcare industry generally?
- 13 A. I have not prior to this position.
- 14 Q. And when you came to Cigna three years ago,
- 15 did you come in as CEO of Cigna Pharmacy?
- 16 A. I came in as first of all, it's COO, not
- 17 CEO.
- 18 Q. COO?-
- 19 A. Chief Operating Officer, and I was the Chief
- 20 Operating Officer of Tel-Drug Pharmacy --
- 21 TEL-DRUG and was promoted six months ago into
- 22 my current position which is Chief Operating Officer of

- Q. They did not?
- A. They just had a retail network only.
 - Q. And can you tell me, in your position as COO
 - of Tel-Drug, what your responsibilities were?
- 5 A. I was in charge of the entire operation from
- 6 marketing to scrip acquisitions to dispensing of
- 7 medications to patients through the mail.
- Q. And can you tell me has Tel-Drug been a part
- 9 of Cigna since 1993?
 - A. Yes.
- 11 Q. Do you know if Tel-Drug is a subsidiary of
- 12 Cigna?
- 13 MR. ST. PHILLIP: Objection. Calls for
- 14 a legal conclusion.
 15 MS, SCHOEN: You can still
- MS. SCHOEN: You can still answer the question.
- 17 A. Yes, it is a legal entity. Is that what
- 18 you're asking?
- 19 Q. If it's a subsidiary of Cigna?
- 20 . A. Yes.
- 21 Q. And can you tell me what your
- 22 responsibilities are currently as COO of Cigna

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4 (Pages 10 to 13)

	. 10	ł	12
1	Pharmacy?	1	that Cigna owns, the approximately ten in Arizona?
2	A. It includes oversight of the mail order	2	A. Yes.
3	pharmacy, Tel-Drug, along with all of the operational	3	Q. Is there a reason that Cigna owns pharmacies
4	components of Cigna Pharmacy management, which includes	. 4	in Arizona and not in other parts of the country?
5	network operations for retail, account implementation,	5	MR. ST. PHILLIP: Objection.
6	and migration along with product design.	6	A. It's this is a unique environment where
7	Q. By product design, you mean the particular	7	Cigna owns its own medical services business which
.8	pharmaceutical benefit plan you would offer to members?	[8]	provides hospital along with pharmacy, and those
9	A. To clients, yes.	9.	pharmacies are within those medical operations.
10	Q. To clients — employers?	10	Q. So in Arizona, Cigna owns some hospitals?
11	A. Employers.	11	A. They own medical groups, and again, I'm not
12	Q. And can you tell me what - is Cigna Pharmacy	12	one to really be talking to this piece of it. You
13	the correct terminology of what you're COO of, or is	13	would have to talk to the other person.
14	there some other name?	14	Q. Is the reason for Cigna's ownership of this
15	A. Cigna Pharmacy.	15	particular medical group in the staff model, how you've
16	Q. And does Cigna Pharmacy manage the	16	described it, is because it acquired some other entity
17	pharmaceutical benefits for all of Cigna?	17	that previously owned those entities?
18	A. Yes.	18	A. Yes.
19	Q. Does that vary at all? Are there any Cigna	19	Q. Do you know what entity it acquired?
20	plans, health plans, that are offered that are not	20	A. No, I do not.
21	served by Cigna Pharmacy?	21	Q. Are you responsible in your current position
22	A. No.	22	for relationships with the staff model pharmacies in
		i	
		-	
	11		. 13
I	Q. Does Cigna Pharmacy or any other part of	1	Arizona?
1 2	Q. Does Cigna Pharmacy or any other part of Cigna own their own pharmacies?	2	Arizona? A. Yes.
3	Q. Does Cigna Pharmacy or any other part of Cigna own their own pharmacies? A. Can you repeat the question?	2	Arizona? A. Yes. Q. What is Cigna's service area?
3	Q. Does Cigna Pharmacy or any other part ofCigna own their own pharmacies?A. Can you repeat the question?Q. Sure.	2 3 4	Arizona? A. Yes. Q. What is Cigna's service area? A. Nationwide.
3 4 5	 Q. Does Cigna Pharmacy or any other part of Cigna own their own pharmacies? A. Can you repeat the question? Q. Sure. Does Cigna Pharmacy or any other part of 	2 3 4 5	Arizona? A. Yes. Q. What is Cigna's service area? A. Nationwide. Excuse me, I need clarification on that.
3 4 5 6	 Q. Does Cigna Pharmacy or any other part of Cigna own their own pharmacies? A. Can you repeat the question? Q. Sure. Does Cigna Pharmacy or any other part of Cigna own pharmacies? 	2 3 4	Arizona? A. Yes. Q. What is Cigna's service area? A. Nationwide. Excuse me, I need clarification on that. Is that pharmacy that you're asking?
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3 4 5 6 7 8	 Q. Does Cigna Pharmacy or any other part of Cigna own their own pharmacies? A. Can you repeat the question? Q. Sure. Does Cigna Pharmacy or any other part of Cigna own pharmacies? A. Yes. Q. Does Cigna also contract with pharmacies that 	2 3 4 5 6 7 8	Arizona? A. Yes. Q. What is Cigna's service area? A. Nationwide. Excuse me, I need clarification on that. Is that pharmacy that you're asking? Q. I'm asking about Cigna's health insurance network.
3 4 5 6 7 8	 Q. Does Cigna Pharmacy or any other part of Cigna own their own pharmacies? A. Can you repeat the question? Q. Sure. Does Cigna Pharmacy or any other part of Cigna own pharmacies? A. Yes. Q. Does Cigna also contract with pharmacies that it does not own? 	2 3 4 5 6 7 8 9	Arizona? A. Yes. Q. What is Cigna's service area? A. Nationwide. Excuse me, I need clarification on that. Is that pharmacy that you're asking? Q. I'm asking about Cigna's health insurance network. A. Health insurance network is worldwide.
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3 4 5 6 7 8 9 10 11 12 13 14 15	 Q. Does Cigna Pharmacy or any other part of Cigna own their own pharmacies? A. Can you repeat the question? Q. Sure. Does Cigna Pharmacy or any other part of Cigna own pharmacies? A. Yes. Q. Does Cigna also contract with pharmacies that it does not own? A. Yes. Q. And can you tell me approximately how many pharmacies Cigna owns? A. We own two mail order pharmacies. In addition, we have staff model pharmacies in Arizona, and I do not know how many. It's ten approximately. 	2 3 4 5 6 7 8 9 10 11 12 13 14 15	Arizona? A. Yes. Q. What is Cigna's service area? A. Nationwide. Excuse me, I need clarification on that. Is that pharmacy that you're asking? Q. I'm asking about Cigna's health insurance network. A. Health insurance network is worldwide. Q. And is there a distinction between the health insurance network and the pharmacy network? A. Yes. Q. Can you explain that distinction? A. The pharmacy network is within the United States, Puerto Rico, and the Virgin Islands. It does
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q. Does Cigna Pharmacy or any other part of Cigna own their own pharmacies? A. Can you repeat the question? Q. Sure. Does Cigna Pharmacy or any other part of Cigna own pharmacies? A. Yes. Q. Does Cigna also contract with pharmacies that it does not own? A. Yes. Q. And can you tell me approximately how many pharmacies Cigna owns? A. We own two mail order pharmacies. In addition, we have staff model pharmacies in Arizona, and I do not know how many. It's ten approximately. Q. So it's — one of the mail order pharmacy that Cigna owns is Tel-Drug? A. Both. One is Tel-Drug of Pennsylvania, LLC; and one is Tel-Drug, Inc. in Sioux Falls, South Dakota. Each are legal entities.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Arizona? A. Yes. Q. What is Cigna's service area? A. Nationwide. Excuse me, I need clarification on that. Is that pharmacy that you're asking? Q. I'm asking about Cigna's health insurance network. A. Health insurance network is worldwide. Q. And is there a distinction between the health insurance network and the pharmacy network? A. Yes. Q. Can you explain that distinction? A. The pharmacy network is within the United States, Puerto Rico, and the Virgin Islands. It does not go into any other countries besides for that. Q. Are you responsible for overseeing the relationship that Cigna has with the pharmacies it contracts with? A. Yes.
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	 Q. Does Cigna Pharmacy or any other part of Cigna own their own pharmacies? A. Can you repeat the question? Q. Sure. Does Cigna Pharmacy or any other part of Cigna own pharmacies? A. Yes. Q. Does Cigna also contract with pharmacies that it does not own? A. Yes. Q. And can you tell me approximately how many pharmacies Cigna owns? A. We own two mail order pharmacies. In addition, we have staff model pharmacies in Arizona, and I do not know how many. It's ten approximately. Q. So it's — one of the mail order pharmacy that Cigna owns is Tel-Drug? A. Both. One is Tel-Drug of Pennsylvania, LLC; and one is Tel-Drug, Inc. in Sioux Falls, South Dakota. 	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	Arizona? A. Yes. Q. What is Cigna's service area? A. Nationwide. Excuse me, I need clarification on that. Is that pharmacy that you're asking? Q. I'm asking about Cigna's health insurance network. A. Health insurance network is worldwide. Q. And is there a distinction between the health insurance network and the pharmacy network? A. Yes. Q. Can you explain that distinction? A. The pharmacy network is within the United States, Puerto Rico, and the Virgin Islands. It does not go into any other countries besides for that. Q. Are you responsible for overseeing the relationship that Cigna has with the pharmacies it contracts with?

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1	14		. 16
1	A. Yes.	1	(The reporter read back.)
2	Q. And can you describe your involvement,	2	A. They are not required.
3	please?	3	Q. Is the option of using Cigna Specialty
4	A. I oversee the contractual arrangements and do	4	Pharmacy provided to all of Cigna's physicians?
5	the final review before authorizing releasing the	5	A. Yes.
6	contract.	6	· Q. Do you know how Cigna Specialty Pharmacy
7		7	obtains the pharmaceuticals that it provides to either
8	provider?	8	patients or physicians directly for a particular
9	A. Yes, we do.	9	patient?
10	Q. Can you tell me the name of that entity?	10	A. We purchase direct through the manufacturer
11	A. It's Cigna Specialty Pharmacy.	11	or through our wholesaler, and then distribute those
12	Q.: And can you tell me how long that entity has	12	drugs through our Tel-Drug entities to the patients.
13	been providing Cigna with specialty pharmacy services?	13.	Q. Do you have contracts directly with
14	A. It has been in operation since May of 2002.	14	pharmaceutical manufacturers?
15	Q. Prior to may of 2002, did Cigna have a	15	A. Yes.
16	· ·	16	Q. And do those contracts provide Cigna with
17	A. No.	17	either a discount or a rebate on pharmaceuticals that
18	Q. In your responsibilities of COO of Cigna	18	Cigna purchases or uses?
19	Pharmacy, are you responsible for overseeing Cigna	19	A. Yes.
20	Specialty Pharmacy?	20	MR. ST. PHILLIP: Objection to form. It
21	A. Yes.	21	calls for a legal conclusion.
22	Q. And can you tell me what services Cigna	22	Q. Does Cigna do any analysis of the strike
١,	Specialty Physics are supplied as	١,	. 17
1 2	Specialty Pharmacy provides? A. It's direct to consumer mail order service	1	that.
3		2	Do you have an understanding of the
l .	for injectable or self-administered high dollar		mains that Cimas Consider Monage and Continue to
1 1	medications to nationts		price that Cigna Specialty Pharmacy pays for the
4 5	medications to patients.	4	pharmaceuticals that it purchases?
5	Q. Does Cigna Specialty Pharmacy have the	4 5	pharmaceuticals that it purchases? A. Yes.
5 6	Q. Does Cigna Specialty Pharmacy have the ability to provide pharmaceuticals directly to a	4	pharmaceuticals that it purchases? A. Yes. Q. Is that price expressed in reference to any
5 6 7	Q. Does Cigna Specialty Pharmacy have the ability to provide pharmaceuticals directly to a physician's office	4 5 6 7	pharmaceuticals that it purchases? A. Yes. Q. Is that price expressed in reference to any particular benchmark in the industry?
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Highly Confidential Bloomfield, CT

January 14, 2005

6 (Pages 18 to 21)

	18		20
1	through Cigna Specialty Pharmacy bear any relationship	1	position on the current levels of
2 .	to the WAC price?	2	reimbursement are confidential trade secret
3	A. They don't bear any relationship. They are	3	information, and historical information over
4	negotiated prices.	4	the course of the class period here is not
5	Q. So each individual pharmaceutical product	5	currently in effect. I'll allow the witness
6	would be negotiated separately with each manufacturer?	6	to answer.
7	MR. ST. PHILLIP: Objection.	7	A. So historically it would be a range of WAC
8	A. No, not all. Not all drugs are negotiated	.8	plus 5 to WAC minus 10.
9	specifically with the manufacturer.	9	Q. And just for clarity, this range would be the
10	Q. If the drug is not negotiated specifically,	10	range of prices that you would receive from wholesalers
11	how is it negotiated?	11.	that you would purchase from?
12	A. We would purchase it from our wholesaler	12	A. Yes. This would be for products purchased.
13	under our wholesaler contracts, and the wholesaler -	13	that would be distributed through our mail order
14	we have an arrangement, which is WAC minus or WAC plus,	14	pharmacies.
15	depending on our negotiating agreement with our	15	QHas Cigna historically purchased its
16	wholesaler.	16	pharmaceutical products from one particular wholesaler
17	Q. Do you have an understanding of the range of	17	or many different wholesalers?
18	minus or plus WAC that Cigna may obtain these products	18	A. One primary, and then several other secondary
19	from the wholesaler?	19	along with direct from manufacturer.
20	MR. ST. PHILLIP: Limited to the	20	Q. Can you tell me the name of the one primary
21	specialty pharmacy?	21	wholesaler?
22	MS. SCHOEN: Exactly.	22	A. McKesson.
<u> </u>			
	19		21.
1	Q. Limited to the specialty pharmacy?	1	Q. Does Cigna also purchase pharmaceutical
1 2		1 2	
1 .	Q. Limited to the specialty pharmacy?		Q. Does Cigna also purchase pharmaceutical
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7 (Pages 22 to 25)

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	22	1		24
1	(The reporter read back.)	1	of a particular manufacturer's product?	2.
2	MR. ST. PHILLIP: Insofar as the what	2	A. Yes.	•
3	he has testified that that information was -	3	Q. Are part of your responsibilities supervising	
4	the pricing information was related to a	4	strike that.	
5	contract between your clients and us, your	5	Do you have an understanding of the	
- 6	clients know that information.	6	reimbursement that Cigna provides to pharmacies with	h
7	MS. SCHOEN: This would go to the	7	whom it contracts?	•
- 8	clients purchasing from a wholesaler which	8	A. We make payments to retail pharmacies, yes.	
9	would not involve the pharmaceutical	9	Q. And what are those payments for?	
10	manufacturers.	10	A. Those payments are for drugs and services	
11	MR. ST. PHILLIP: I think that — can I	1.1	provided to our members.	
12	confer with the witness about the sensitivity	12	Q. Do you have an understanding of the payments	S
13	of the information?	13	that Cigna makes to the pharmacies that it contracts	
14	MS. SCHOEN: Certainly.	14	with?	
15	(Witness and counsel confer).	15	MR. ST. PHILLIP: Objection to form.	
		16	A. I'm not clear with your question.	
•		17		
	<u>-</u> ,	18.	the payment that Cigna pays to pharmacies with whom	a it
19	· – – – – – – – – – – – – – – – – –	19	contracts?	
20	*	20	A. I understand the contracted rates, yes.	
21		21	Q. Can you tell me the methodology that Cigna	
22	current financial arrangements.	22	has employed in making payments to its pharmacies si	ince
	3 4 5 6 7 -8 9 10 11 12 13 14 15 16 17 18 19 20 21	1 (The reporter read back.) 2 MR. ST. PHILLIP: Insofar as the — what 3 he has testified that that information was — 4 the pricing information was related to a 5 contract between your clients and us, your 6 clients know that information. 7 MS. SCHOEN: This would go to the 8 clients purchasing from a wholesaler which 9 would not involve the pharmaceutical 10 manufacturers. 11 MR. ST. PHILLIP: I think that — can I 12 confer with the witness about the sensitivity 13 of the information? 14 MS. SCHOEN: Certainly. 15 (Witness and counsel confer). 16 MR. ST. PHILLIP: Cigna considers the 17 price — the price arrangements it currently 18 has with wholesalers to be competitive 19 information, vis-a-vis the pharmaceutical 20 manufacturers, and as a result, I instruct 21 the witness not to answer with respect to	1 (The reporter read back.) 2 MR. ST. PHILLIP: Insofar as the what 3 he has testified that that information was 4 the pricing information was related to a 5 contract between your clients and us, your 6 clients know that information. 6 MS. SCHOEN: This would go to the 7 MS. SCHOEN: This would go to the 8 clients purchasing from a wholesaler which 9 would not involve the pharmaceutical 9 manufacturers. 10 MR. ST. PHILLIP: I think that can I 11 confer with the witness about the sensitivity 13 of the information? 14 MS. SCHOEN: Certainly. 15 (Witness and counsel confer). 16 MR. ST. PHILLIP: Cigna considers the 17 price the price arrangements it currently 18 has with wholesalers to be competitive 19 information, vis-a-vis the pharmaceutical 19 manufacturers, and as a result, I instruct 20 the witness not to answer with respect to	1 (The reporter read back.) 2 MR. ST. PHILLIP: Insofar as the what 3 he has testified that that information was 4 the pricing information was related to a 5 contract between your clients and us, your 6 clients know that information. 7 MS. SCHOEN: This would go to the 8 clients purchasing from a wholesaler which 9 would not involve the pharmaceutical 10 manufacturers. 11 MR. ST. PHILLIP: I think that - can I 12 confer with the witness about the sensitivity 13 of the information? 14 MS. SCHOEN: Certainly. 15 (Witness and counsel confer). 16 MR. ST. PHILLIP: Cigna considers the 17 price the price arrangements it currently 18 has with wholesalers to be competitive 19 information, vis-a-vis the pharmaceutical 20 manufacturers, and as a result, I instruct 21 the witness not to answer with respect to 2 A. Yes. 3 Q. Are part of your responsibilities supervising 4 strike that. 5 Do you have an understanding of the 6 reimbursement that Cigna provides to pharmacies with 7 whom it contracts? 8 A. We make payments to retail pharmacies, yes. 9 Q. And what are those payments for? 10 A. Those payments are for drugs and services 11 provided to our members. 12 Q. Do you have an understanding of the payments 13 that Cigna makes to the pharmacies that it contracts 14 with? 15 MR. ST. PHILLIP: Objection to form. 16 A. I'm not clear with your question. 17 Q. Do you have an understanding of the armount of the payments that Cigna pays to pharmacies with whon of the payment that Cigna pays to pharmacies with whon of the payment that Cigna pays to pharmacies with whon of the payment that Cigna pays to pharmacies with the payment that Cigna pays to pharmacies with the payment that Cigna pays to pharmacies with whon of a particular manufacturer's product? 1 A. Yes. 1 A. Yes. 1 A. We make payments to retail pharmacies, yes. 1 Do you have an understanding of the reimburser. 1 Q. Do you have an understanding of the provided to our members. 12 Q. Do you have an understanding of the payments to retail pharmacies, yes. 13 tha

- Q. The WAC range that you described of plus 5 percent to minus 10 percent, would that hold true all the way back through 1991?
- 4 A. Yes.

3

Q. Am I correct that the WAC range that you've described of plus 5 percent to minus 10 percent only. 6

applies to Cigna's purchases from the wholesaler?

- A. Correct.
- Q. Can you describe the price that Cigna may pay if it purchases direct from a manufacturer in relation to any industry benchmark?
- 12 A. It's a --
- 13 MR. ST. PHILLIP: Objection.
- 14 A. It's a negotiated price. It has no
- 15 relationship to any industry benchmark.
- Q. Am I correct that Cigna would negotiate with 16
- 17 manufacturers a direct purchase price that would allow
- 18 Cigna to purchase directly from manufacturers in some
- 19 cases?
- **20** A. Yes.
- 21 Q. And in other cases, Cigna would negotiate
- 22 with a manufacturer a rebate to receive on utilization

- 1 1991?
- 2 A. Yes. It's a formula approach that uses an
- industry benchmark called AWP, and it's an AWP minus 4
- brand and 4 generic, separate distinction between brand
- and generic, and then there is a dispensed fee.
- Q. Do you have an understanding of the range of
- percent below AWP that Cigna reimburses at?
- 8 A. Yes.
- 9 MR. ST. PHILLIP: Currently?
- 10 MS. SCHOEN: Yes.
- 11
- 12 Q. Do you have that understanding going back to
- 13 1991?
- 14 A. Yes.
- 15 Q. Can you tell me the range from 1991 to the
- 16
- 17 A. It falls under contractual arrangements that
- I can't disclose. It's competitive information. 18
- 19 MR. ST. PHILLIP: Let me confer with the
- 20 witness just a second.
- 21 'MS. SCHOEN: We do have contracts in
- 22 this area up to - up to; I think, 2004.

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8 (Pages 26 to 29)

			28	l
1	MR. ST. PHILLIP: I'll confer with the	1	THE WITNESS: Yes.	
. 2	witness.	2	Q. And you referenced the MAC price for	
3	(Witness and counsel confer.)	.3	generics.	ļ.
4	MR. ST. PHILLIP: Back on the record.	4	Does Cigna have its own MAC price list?	
5.	I've just explained to the witness the	5	A. Yes.	ļ
6	parameters of the protective order in the	6	Q. Can you tell me how Cigna formulates that	ı
7	case, and the ability and disclosure rights	7	list?	ŀ
8	and obligations under the order, and the	8	A. In general terms, we take in several	ŀ
9	witness thought that competitive information	9	different sources of what the drugs would cost the	ı
10	might have been eked out because he thought	10	retail pharmacy out in - through wholesalers, and	l
11	. Mr. Notargiacomo was an Aetna client, so we	11.	through that process determine what would be the	ı
12	have cleared that up, and so the witness now	12	appropriate payment for that particular drug to the	l
13	understands the parameters of the protective	13	retail pharmacies and set that MAC at that price. So .	
14	order, and so if you would either read back	14	it's using several different sources of data.	l
15	the question or ask it again, we will see	15	Q. So tell me if I have this right. Cigna uses	ŀ
16	where it goes.	16	several different sources of data to determine the cost	
17	MS. SCHOEN: Would you read it back.	-17	to the retail pharmacies for these generic	l
18	(The reporter read back.)	18	pharmaceutical products?	l
19	A. I will give you historically the range has	19	MR. ST. PHILLIP: Objection.	l
20 21	been from minus 8 to minus 20 AWP. Q. Does the range that you've just described,	20	A. We determine what we will pay the pharmacy by	l
22	from AWP minus 8 percent to AWP minus 20 percent, apply	21 22	using that information, but the information that we	l
22	non A wit minus o percent to A wit minus 20 percent, apply	22	have been provided isn't the price that we would pay.	l
	27		29	l
1	only to branded pharmaceuticals?	1	We make adjustments based on what we see in the	l
2	A. No. It would there's separate contracting	-2	marketplace to be competitive.	l
3 -	for generics, so methodology and range is the same.	_		1
4		3	Q. So Cigna does put some effort into	١.
1	Oh, no, it isn't. It's different. What am I thinking!	3 4	Q. So Cigna does put some effort into understanding what retail pharmacists may have to pay	
5	Q. So then just answer my question again.	i	understanding what retail pharmacists may have to pay for a generic drug?	-
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5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q. So then just answer my question again. Does the range that you just described of AWP to minus 20 percent to AWP minus 8 percent apply only to branded? A. Only to branded. Q. Is there a different range that Cigna will make payments at for generic pharmaceuticals? A. Yes. Q. Can you tell me what that range would be? A. I mean historically again would be minus 8 to MAC, which MAC is minus 55, 60 roughly. Q. And just for clarity, when you say historically, you're speaking back until 1991 until— A. Until— MR. ST. PHILLIP: Current. Current	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	understanding what retail pharmacists may have to pay for a generic drug? MR. ST. PHILLIP: Objection. A. Yes. Q. Can you tell me what sources or what process Cigna goes through generally to make that determination? A. We use wholesaler pricing. We use our own direct purchasing for our pharmacies. We use governmental established rates to make the comparison. Q. So, for example, if Cigna purchases a generic drug through or for its Tel-Drug mail-order service, you might look at the price Cigna is paying for that, and take that into account when you set a MAC price for that particular generic drug? MR. ST. PHILLIP: Objection.	

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9 (Pages 30 to 33)

30 the price -- the payment rather that Cigna makes to a pharmacist for a generic pharmaceutical product would 3 not necessarily be at that price, but would be affected 3. by the competitive nature of the marketplace?. 4 5 MR. ST. PHILLIP: Objection. 5 A. Yes. 6 Q. So that price would build in some kind of a 7. reasonable margin for the pharmacists? MR. ST. PHILLIP: Objection. 9 Are you talking about all generic drugs? 10 10 11 MS. SCHOEN: Yes. We're talking about 11 12 generic drugs right now. 12 A. In specific, we will look at what pharmacies 13 . would acquire the drug for and what would be a 14 reasonable margin to make on that drug as part of our 15. 16 analysis. 16 17 Q. And when you say a reasonable margin, you 17 mean a reasonable margin for the pharmacist to make on 18 19 that particular drug? 19 A. We would provide a profit margin which would 20 20 21 be competitive in the marketplace: 21

Q. So your goal is to provide the pharmacies for generic drugs with the lowest payment that you can but still allowing them to stay in business and have some reasonable profit margin?

MR ST PHILLIP: Objection

MR. ST. PHILLIP: Objection.

A. It's a reasonable accounting of it, yes.

Q. Now, we've been talking about generic drugs.
 Turning back to branded drugs, do you go through a similar analyses when determining the payment to make

to a pharmacist for a generic -- a branded drug?

MR. ST. PHILLIP: Which analysis are we talking about?

MS. SCHOEN: The analyses where Cigna would attempt to determine the price that a pharmacist could buy a branded drug for and then look at analysts' reports and other information to determine an appropriate reasonable profit margin.

A. No.

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Q. Can you tell me what process Cigna would go through to determine the payment rate for branded

pharmaceuticals to a pharmacist?

margin is competitive in the marketplace?

Q. How do you determine if a particular profit

MR. ST. PHILLIP: Objection. Every time a generic drug still?

MS. SCHOEN: Yes. We are still talking about generic drugs.

A. It's a practice, just a standard business practice that we use and employ in terms of running a business, and how much profit you need to make on the

9 drug versus other things in the pharmacy. Just like
 10 you would read analysts' reports. We read analysts'

you would read analysts' reports. We read analysts'
reports to see what retail pharmacies are making and

11 reports to see what retail pharmacies are making and make appropriate adjustments.

Q. So you basically do research and maybe have conversations with pharmacists?

A. We don't have conversations with the retail environment about our MAC pricing. We read analysts' reports. We make a good business decision. We look at protecting our members and clients to insure that they get the best value when they are going to the retail

20 pharmacy, so by providing the best value, it will be

21 the lowest profit margin tolerable by the retail

22 environment.

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1 MR. ST. PHILLIP: I guess I'm just going
2 to object insofar as there are thousands of
3 pharmacies, and so to the extent that you can
4 answer that generally, please do so.
5 MS. SCHOEN: If there's no general

MS. SCHOEN: If there's no general answer, then that can be the answer. I'm asking if there was a general answer like there was for the generic.

A. The general pricing methodology is based on the number of pharmacies, the compliance to our formulary to quality statistics, to -- are the other criteria along with the competitive nature on what other pharmacy benefit providers are reimbursing through anecdotal information that we are able to acquire, but there -- I have to be more specific in that this is not on a drug-by-drug basis like MAC.

MAC is on a drug-by-drug basis. Brand is purely a percentage off of AWP for all brands.

Q. Why is there a difference between Cigna's
 approach to payments to pharmacist for generic drugs
 and payment to pharmacists for branded drugs?

A. On the generics, the reason for the MAC

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10 (Pages 34 to 37)

	34		36
1	pricing is the movement to the lower cost drugs which] · 1	A. Both.
· 2 .	are generic where there is a brand with a multisource	2	Q. Earlier I thought that you testified that
3.	generic available. We only want to we only want to	3	Cigna looks at what it pays for a particular generic
4	pay for the generic value. Even if they decide to	. 4	drug, and then uses that information to give it some
.5	dispense brand, we only want to pay for generic, so	5	idea of what the pharmacists were paying for the same
6	it's a driving to the lowest net cost is why we set up	6	generic drug, is that correct?
7	the generics the way we do, because we want movement to	7	MR. ST. PHILLIP: Objection. That
8	the lowest cost for our patients.	8	mischaracterizes his testimony.
9	Branding again, the way we do that is	9	A. That isn't correct. What I'm saying is that
10	an industry standard that has been out there prior to .	10	we do purchase our own, but that does not tell me what
11	1991, where there has been an established price or	11	a retail pharmacy chain can purchase those same drugs
12	percentage off AWP for the retail network.	12	for. So all I can do is make estimates based on what I
13.	Q. Does Cigna offer a higher dispensing fee to	13	can buy them for, but that doesn't tell me what they
14	pharmacists for generic drugs over branded drugs?	14	are buying them for. It just gives me some
15	MR. ST. PHILLIP: Objection.	15	indications, and based on those indications, I make a
16	A. For the most part brand and generic dispensed	16	value decision at that point.
17	have the same dispensing fee.	17	Q. So looking at what Cigna pays for a
18	Q. So just to make sure that I understand your	18	particular generic drug doesn't tell you exactly what a
19	answer, Cigna's methodology for determining its MAC	19	pharmacist might pay, but it gives you an idea of the
20	price list versus its methodology for determining how	20	range in which they are paying for drugs?
21	to pay physicians rather pharmacists for branded	21	MR. ST. PHILLIP: Objection. Asked and
22	drugs, is due, at least in part, to wanting to drive	22	answered.
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· 1	pharmacists to dispense the lower cost generics rather	1	A. Yes. It gives me an idea.

than the higher cost branded drugs?

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A. Our goal, as our clients have contracted with us, is to provide them the lowest net cost, so we will arrange and organize our business to provide that lowest net cost and still provide the health to the patients. So we set up and try to drive to generics, when they are therapeutically equivalent, as much as possible.

Q. So is it your understanding that the reimbursement - I'm sorry, the payment that Cigna makes to pharmacists for generic drugs allows the pharmacists the higher margin than the payments that Cigna makes for branded drugs generally?

MR ST PHILLIP: Objection.

A. I can't tell you what margin, because I don't know what they're buying their drugs for.

Q. You don't know what the pharmacists are 18 buying their branded drugs for? 19

A. I don't know what the retail chains are . 20 21 buying their drugs for exactly.

Q. Branded drugs or generic drugs or both?

Q. And likewise, Cigna's purchasing of branded drugs for its mail order pharmacy would give you some 3 4 idea of what pharmacists in the retail world are paying for branded drugs, is that correct? 5

MR. ST. PHILLIP: Objection.

7 A. It gives us some idea, but I don't know what their arrangements are with the wholesale community or 9 with the manufacturer. I don't know what their

10 arrangements are.

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Q. In terms of purchasing -- strike that.

In terms of retail pharmacies purchasing from wholesalers, is it your understanding that the retail pharmacists purchase from wholesalers in relationship to the WAC price?

MR. ST. PHILLIP: Objection. Are you talking about all retail pharmacists?

MS. SCHOEN: I'm talking about retail pharmacists generally.

20 · A. In general, they buy in some relationship to

21 WAC, yes, as I understand it.

Q. Is it correct that when Cigna determines how 22

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11 (Pages 38 to 41)

38 much of a payment to provide to a pharmacist for a A. It is a difference in terms of our clients. branded drug, that it does not look at what Cigna pays 2 It is a difference in terms of the benefit that we 3 for branded drugs generally? provide relative to those other entities. MR. ST. PHILLIP: Objection, 4 MR. ST. PHILLIP: Is this a good time A. No. No. Again, it's following the line of 5 for a break? what's competitive out in the marketplace in terms of MS. SCHOEN: I just have a couple more 6 what I will pay a pharmacist for a branded drug, and 7 7 8 understanding that my percentage off of AWP is purely a Q. But this Cigna Pharmacy provides similar 8 pass-through to our clients so that I am not - I am services to Cigna that a pharmacy benefit provider or setting the price that my client will pay for. And 10 rather a pharmacy benefit manager would provide to a that -- I think you'd have to restate the question so I 11 health insurance plan, is that correct? can get clarity on what you're asking. MR ST. PHILLIP: Objection. Objection. 12 Q. Sure. Let me ask it differently. 13 13 If you understand it. 14 When Cigna determines what payment to 14 Q. For claims processing? 15 make to a pharmacist for a branded drug or branded 15 A: Yes. We provide claims processing. drugs generally, does Cigna care what the physician --Q. Formulary management? 16 the pharmacist acquisition costs was? 17 18 A. No. 18 Q. I'm just trying to understand if there's any 19 Q. Instead -- and let me know if I've got this 19 other distinctions between the services that a pharmacy right -- what Cigna cares about is the competitive 20 benefit manager would provide and what Cigna is 21 marketplace and being at a reasonable place to allow it 21 providing to Cigna, because to me it seems like you are to maintain the network of pharmacies in comparison to basically serving the same function, with the exception 39

other health plans?

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2 MR. ST. PHILLIP: Objection.

A. I would characterize it that we set our

payments to the retail pharmacies so that it is

5 competitive in the industry. 6

Q. Who are you competing with?

7 A. We are competing with other pharmacy benefit 8

providers, and this is related to pharmaceuticals.

9 This is not related to healthcare.

10 Q. So, for example, you would be competing with

pharmacy benefit managers, like Caremark? 11.

MR. ST. PHILLIP: Objection.

A. I would say that I would characterize them as competitors, but that our pharmacy benefit that we

provide is not what they provide. 15 16 Q. Can you explain the difference?

17 A. The difference is that we are part of a

health plan. That's the difference. We are not 18

independent from a health plan. 19

20 Q. So would that difference be a difference

21 primarily for your clients?

MR. ST. PHILLIP: Objection.

that Cigna Pharmacy is a part of the larger Cigna, and 2 a pharmacy benefit provider is an independent separate 3

> MR. ST. PHILLIP: There is no question. MS. SCHOEN: That is a question

actually.

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Q. Is that correct?

MS. SCHOEN: I mean, we can go through a whole line. I was just trying to shortcut the question. Earlier he indicated there was a distinction, and I don't want to miss anything, if he can tell me if that's correct or not. And if not, we can go through a whole line of questions.

If there's no distinction, then I'm not interested in going down this line.

MR. ST. PHILLIP: To the extent you understand it, you can answer.

A. The distinction is we provide services to

20 Cigna Health Care members only. We do not provide

21 services to any other health plan. Pharmacy benefit

22 managers sell their services to multiple health plans.

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12 (Pages 42 to 45)

1 We only support our own which is Cigna health plans. 2 That is the distinction, and it is a significant distinction. 3 distinction. 4 MS. SCHOEN: Thank you. Why don't we take a break now. 5 (Recess was taken). 6 (Recess was taken). 7 Q. Can you tell me how long has Cigna's pharmacy existed? 8 existed? 9 A. Cigna Pharmacy — it is not a legal entity. 11 It has been part of Healthcare since Healthcare was established, which is well before '91. 12 Q. And has Cigna Pharmacy always provided the pharmaceutical benefit management services for Cigna? 14 A. Yes. 15 Q. Has Cigna ever used third party or any other entity to provide those services? 16 entity to provide those services? 17 MR. ST. PHILLIP: Objection. To the eatent that the question calls for a client's relationship, if any, with any PBM, I'll note that deposition subject 8 was excluded by the court in the November 2, 2004 order, so we would move in advance to strike the witness's 18 A. Yes. 19 A. Cigna Pharmacy—it is not a legal entity. 10 Has been part of Healthcare since Healthcare was established, which is well before '91. 11 A. Yes. 12 Q. And has Cigna Pharmacy always provided the pharmacutical benefit management services for Cigna? 14 A. Yes. 15 Q. Has Cigna ever used third party or any other entity to provide those services? 16 entity to provide those services? 17 MR. ST. PHILLIP: Objection. To the extent that the question subject 8 was excluded by the court in the November 2, 2004 order, so we would move in advance to strike the witness's 10 Q. In 1991, did Cigna contract with a pharmacy benefit manager? 11 MR. ST. PHILLIP: It will instruct the witness not to answer. 12 Q. In 1991, did Cigna contract with a pharmacy benefit manager? 13 MR. ST. PHILLIP: It will instruct the witness not to answer any of the questions about the relationship with the pharmacy benefit manager? 18 MR. ST. PHILLIP: It will instruct the witness not to answer any questions concerning any relationship with any PBM.	44 nat
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9 THE WITNESS: I do remember the 9 MR. ST. PHILLIP: I'm going to instruct 10 question. 10 the witness not to answer any questions	- 1
10 question. 10 the witness not to answer any questions	
1	.
	and
12 managers or have contracted with other pharmacy benefit 12	
13 managers. 13 No. 8 for that instruction.	1
14 Q. Can you tell me when - strike that. 14 MS. SCHOEN: Well, under deposition	l
15 Can you tell me whether Cigna currently 15 subject No. 1, all methodologies your clien	•
16 contracts with another pharmacy benefit manager? 16 utilized or considered utilizing to determine	
17 MR. ST. PHILLIP: I will make the same 17 the amounts to pay or reimburse healthcare	
objection, and motion to strike. 18 providers and pharmacies, either directly or	
19 MS. SCHOEN: And the same response. 19 through PVMs, for drugs administered or	
20 A. There is two relationships that I know of at 20 dispensed requires some understanding of	·
21 this point. 21 whether there was a PBM to understand the	٠
22 Q. Can you tell me what those are? 22 methodology for reimbursement.	

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13 (Pages 46 to 49)

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	2			. Party and to the arrangement i
	3	positions.	2	the financial die retaining network.
	Ι.	Q. Can you tell me why Cigna, from 1991 to the	3	- S Picture vincio incic and varying
•	4	present, would have contracted with a pharmacy benefit	4	indicate it may not be a timete
	5	manager rather than simply relying on Cigna Pharmacy	5	i Beneral terms, that is the
-	6	which provides that service the pharmacy management] 6	: " "S
	7	service as well?	7	. Committee out for dist Cigna
	8	MR. ST. PHILLIP: I'd like the same	. 8	contracts in some cases directly with manufacturers for
•	9	instruction, and rely on deposition subject	9	
	10	1	10	MR. ST. PHILLIP: Objection. The record
	11	MS. SCHOEN: So you're instructing him	11	
	12	not to answer?	. 12	A. As I had referred earlier, we do.
	13	MR. ST. PHILLIP: Yes.	13	
•	14	Ed, are you on the phone?	14	
	15.	MR. NOTARGIACOMO: Yeah. I got kicked	15	
	16	off for a minute, but I'm back.	16	MR. ST. PHILLIP: Objection. It calls
	17	Q. Can you tell me historically what percentage	17	
	Í8	of the pharmacy benefit services that Cigna provides to	18	
	19	its members has been administered by Cigna Pharmacy as	19	No. 22, which is your client's relationship
	20	opposed to some other entity?	20	
	21	MR. ST. PHILLIP: Same objection.	21	methodologies by which you bill your
	22	If the witness understand the questions,	22	insureds, directly or indirectly, for
			Ì	2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2
	1	I'll let him answer.	1	pharmaceuticals and pharmaceutical expenses
	2	A. Less than 5 percent was done by others during	2	or administrative services.
	3	that time frame.	3	The topic was excluded by Magistrate
-	4	Q. You mentioned earlier you used the term	4	Judge Bowler on the November 2, 2004 order,
1	5	pass-through to client in terms of discussing the	5	and we will move to strike the witness's
-	6	.payments that Cigna makes to pharmacists?	6	answer, but I'll allow him to answer.
۱.	7	A. Uh-hum.	7	A. We have financial arrangements that may
1	8	· Q. Can you tell me what you mean by pass-through	8	include sharing some of the rebate dollars with the
1	9	to client?	9	client.
	10	MR. ST. PHILLIP: Objection. It calls	10	Q. And would that vary by client?
ı	11	for a legal conclusion. The witness can	11	MR. ST. PHILLIP: Same objection.
١	12	answer.	12	A. Yes.
1	1,3	A. What I meant by pass-through is that Cigna	13	Q. Would there be instances in which Cigna does
-	14	still pays the retail pharmacies, but what we bill the	14	not share any of the rebates it might receive from a
1	15	client is the - exactly the same amount that we paid	15	pharmaceutical manufacturer with a client?
١	16	the retail pharmacy.	16	
1	17	Q. And is that true for all of the plans that	17	MR. ST. PHILLIP: Same objection and motion.
		Cigna offers?	18	-
	19	MR. ST. PHILLIP: I'll just interpose an	19	A. Yes. As I stated earlier, it varies by client.
	20	objection based on deposition topic 22, but		•
1	21	to the extent that the witness can answer,	20	Q. Earlier we were discussing the payments that
L	22	I'll allow him to answer.	21	Cigna makes for branded pharmaceutical products that
֓֞֞֞֞֞֞֞֞֞֞֜֞֜֞֞֞֩֓֞֞֓֓֡֡֓֓֡֓֡֡	مدر	11 anon min to alsyol.	22	pharmacists may dispense to members, and you had
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14 (Pages 50 to 53)

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1	testified that there is variation in the discount off
2	of AWP that Cigna reimburses, is that correct?
3	MR. ST. PHILLIP: Objection. It
4	mischaracterizes the testimony.
5	A. I believe I have already answered the
6	question. I guess I - could you repeat what it is
7	that you're asking?
. 8	Q. I'm referencing you back to the prior
9	testimony where you had testified that there is a
10	variation in the payment that Cigna may make to a
11	pharmacist for branded pharmaceutical products.
12.	MR. ST. PHILLIP: Objection. I think it
13	
14	A. I believe what I was stating was that there
15	is variation in what discounts off of AWP are provided
16	to the retail network based on a group of criteria that
17 -	
18	Q. And in particular, you referenced a variation
19	of AWP minus 8 percent to AWP minus 20 percent for
20	branded pharmaceuticals, is that correct?
21	MR. ST. PHILLIP: Object to the form.
22	A. You'd have to repeat what you just stated in

A. What do you mean by leverage? Q. More leverage to -- more bargaining power in . the negotiation process? Would some pharmacists or retail chains have more bargaining power when you, say, ٠5 sit down at the table with Cigna, than others? A. They may, but up until this point, we negotiate based on a set of criteria, and we really don't go beyond that subject criteria with any entity. Q. Well, within the set of criteria, there is some variation? MR. ST. PHILLIP: Objection. Go ahead. 12 A. Like any negotiated arrangement, it's a negotiated arrangement, so there's variation. Q. And my only question is whether some of that 14 15 variation is due to some pharmacists or retail networks having more bargaining power than others? 17 A. I mean, I answered that, that, you know, it's a negotiated agreement, and there's all kinds of things that enter into it based on what they are providing 20 from services and drugs. 21 Q. I'm asking about one particular aspect of that.

2 Q. The range that you had testified earlier that 3 Cigna makes payments to pharmacists for branded pharmaceuticals was AWP minus 8 percent to AWP minus 20 percent? A. That is correct. Q. Can you tell me what causes the variation between the minus 8 percent to the minus 20 percent? A. I already answered that question earlier, based on the criteria that we use in determining the

terms of the range. I didn't --

discount off of AWP. 12 So the same criteria you mentioned earlier, the number of pharmacies, compliance with the formularies, the quality statistics, and the competitive nature of the marketplace? 15

16 A. Correct.

6

7

17 Q. Are there any other causes for the variation?

· A. Those are, in general, what we use.

19 Q. Is it correct that some pharmacists or retail

chains that Cigna would negotiate with would have more

21 leverage than others?

MR. ST. PHILLIP: Object to the form.

A. Which aspect is that?

Q. Which is whether some pharmacists or retail chains have more bargaining power than others in these

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negotiations?

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5 MR. ST. PHILLIP: Objection. Asked and 6 answered. 7

A. I guess I'm trying to understand what -aspect - you keep referring to leverage. I guess I'm

trying to understand what piece are you looking at?

10 You know, there - I don't - I guess - I'm not clear on what leverage you're looking for. 11

12 Well, I used the term bargaining power.

13 Is that a term that has some meaning to

14

15 A. It does. If I'm the only pharmacy in a 16 community, you have bargaining power to negotiate a 17 better rate.

Q. So the answer to my question is that yes, some pharmacists or retail chains would have more bargaining power than others?

MR. ST. PHILLIP: Objection. You asked it a couple of times, and he has answered it

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15 (Pages 54 to 57)

54 a few times. 2 A. My point is that each situation is unique. Each negotiation is unique, and we settle on terms based on that particular situation, and it varies by chain. It varies by state. It varies by location. There are a tremendous amount of variables that are considered when negotiating. 8 Q. And my question was just a little bit 8 O. I see. 9 10 . It goes to one particular facet of the 11 negotiation, not questioning whether it is the sole facet but whether it is one, and whether it is the case 13 that in negotiations with pharmacists or a retail chain, some may have more bargaining power than others? 14 MR. ST. PHILLIP: Objection. 14 15 MR. ST. PHILLIP: We stipulate to that. 15 16 We stipulate to that. 16 17 Q. Can you tell me why Cigna offers a dispensing 17 will pay, and both of those are taken into account for 18 fee to pharmacists and retail chains in addition to the 18 reimbursement that you've described that's either based 19 19 on some percentage off of AWP or based on a MAC price 20 20 21 21 22 A. The dispensing fee is an industry standard. 22

price or the service component is within the dispensing, you put the two together. That's the price I'm paying you for the drugs and service. So you really can't delineate those separate any more; where at one time, long ago, there was a true distinction between this is the cost of the drugs, and this is the cost of the service. So when you negotiate with a pharmacist,

or you look at a payment that you might consider making to a pharmacist, you're going to consider the AWP based price or the MAC based price that we talked about

earlier and the dispensing fee kind of as one package?

A: We negotiate a price AWP minus or MAC plus a dispensing fee as our process of determining what we

that payment. That's the process.

Q. In negotiating with a pharmacist, do you ever come across a situation where a pharmacist might say, I really prefer a higher dispensing fee, and so, as a

part of the process, for some reason they value a

55 A long time ago - and I can't establish when, but prior to '91 -- there was a price that was determined for the drugs, and then there was a price determined to put the drugs in the bottle, and the dispensing fee is putting the drugs in the bottle. Now, today, it is still carried on as a

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practice, but has no relevance to a service being provided as putting drugs in a bottle. It is just part of the pricing platform that is used in the industry, and we continue to maintain that.

Q. So I just want to make sure I understand. When you say there's no - currently no relevance to the service being provided, is that because -- are you saying that the dispensing fee is kind of an artificial concept now?

MR. ST. PHILLIP: Objection.

A. No, I didn't say that. It's just -

Q. Can you explain a little more what you mean by no relevance to the service being provided?

A. It is now -- you really just look at the two pieces together as this is the price I pay you.

Whether or not the service component is within the drug

higher dispensing fee, and that might end up making the AWP reimbursements, say, for a branded pharmaceutical 3 less?

MR. ST. PHILLIP: Objection. Foundation.

A: I have not -- I have not seen that. What people will negotiate, both pieces separately, and they will negotiate them together. It varies by retail-

9 pharmacy. 10

11

12

Q. When you say people, are you referring to the Cigna negotiators or the pharmacist negotiators?

A. The retail pharmacy negotiators.

Q. But regardless of how the retail pharmacist 13 would look at it, Cigna is looking at it as a total 14

15 payment with two prongs or two components?

16 A. I believe I already answered that, and we 17 look at both components and in total.

Q. Do you have an understanding of whether the 18 dispensing fees that Cigna provides covers the 19

20 pharmacist's costs of dispensing the drug and the

21 pharmacist's overhead?

Am I aware - can you ask the question again

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16 (Pages 58 to 61)

	58		. 60
1	because I'm not clear?	1	methodologies that you could implore? Sure. There are
[^] 2	Q. Sure.	2	businesses out there that do other things that are
3	Do you have an understanding of whether	3	outside the pharmaceutical industry, but in this
4	the dispensing fees that Cigna provides actually cover	4	industry, this is what the industry uses, and that's
5	the pharmacist's costs of dispensing the drug and any	5	what we're following is an industry standard.
6	aftendant overhead costs that the pharmacist might	. 6	Q. So would you say that the average wholesale
7	have?	7	price benchmark, is that a convenient benchmark to use
8	MR. ST. PHILLIP: I assume you're not	8	for payments to pharmacies?
9	asking the question with respect to each of	وا	MR. ST. PHILLIP: Objection.
10	the fifty odd thousand pharmacists?	10	A. I can't say whether it's convenient. It's
11	MS. SCHOEN: I'm asking as a general	11	what we use as part of our pricing methodology to make
12	matter.	12	payments to the retail pharmacies.
13	A. I have no idea if it's covering it or not. I	13	Q. Going back to our questions earlier, you had
14	can make my own personal assumptions, but as a	14	testified as to the range of purchase prices that Cigna
15	business, I don't know whether or not, you know, it	15	may receive from wholesalers historically but objected
16	covers it because I don't know the intricacies of their	16	to providing that information currently.
17	financial arrangements.	17	I would ask, based on subsequent
18	Q. Does it matter to you whether it covers the	18	conversations with counsel, if you're now willing to
19	pharmacist's overhead and costs or not?	19	testify as to the current range?
20	A. What matters to Cigna is that they are	20	A. We're not.
21	providing the services required for our patients.	21	Q. So that's distinct from the reimbursement or
22	That's what makes a difference to us.	22	payments provided to pharmacies? You're putting that
,	That's What Markes a difference to as,	122	paymona provided to planmacies: 10016 patting that
			· · · · · · · · · · · · · · · · · · ·
	50		
1	O For what Cigna believes to be a reasonable	,	in a different class of
.1	Q. For what Cigna believes to be a reasonable	1	in a different class of
.1 2 3	Q. For what Cigna believes to be a reasonable payment?	2	in a different class of MR. ST. PHILLIP: I'm sorry, what I'm
3	Q. For what Cigna believes to be a reasonable payment? A. Correct. That's correct. Yes.	2	in a different class of MR. ST. PHILLIP: I'm sorry, what I'm not understanding.
3 4	Q. For what Cigna believes to be a reasonable payment? A. Correct. That's correct. Yes. Q. Do you know why Cigna uses the average	2 3 4	in a different class of MR. ST. PHILLIP: I'm sorry, what I'm not understanding. MS. SCHOEN: Initially you had objected
3 4 5	Q. For what Cigna believes to be a reasonable payment? A. Correct. That's correct. Yes. Q. Do you know why Cigna uses the average wholesale price or AWP as a benchmark for reimbursing	2 3 4 5	in a different class of MR. ST. PHILLIP: I'm sorry, what I'm not understanding. MS. SCHOEN: Initially you had objected to testimony on the current reimbursed
3 4 5 6	 Q. For what Cigna believes to be a reasonable payment? A. Correct. That's correct. Yes. Q. Do you know why Cigna uses the average wholesale price or AWP as a benchmark for reimbursing pharmacies? 	2 3 4 5 6	in a different class of MR. ST. PHILLIP: I'm sorry, what I'm not understanding. MS. SCHOEN: Initially you had objected to testimony on the current reimbursed payment rates to pharmacies or retail chains,
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q. For what Cigna believes to be a reasonable payment? A. Correct. That's correct. Yes. Q. Do you know why Cigna uses the average wholesale price or AWP as a benchmark for reimbursing pharmacies? A. This is an industry standard that we are following and have followed since 1991. Q. Has Cigna ever considered using a different benchmark for payments to pharmacies? A. Have we considered? We have considered, but it's paddling upstream. It would be so outside of what everybody else is doing that we would lose all of our business, because everybody is under the AWP minus methodology. Q. Are there any other reasons that Cigna has not made an attempt to switch from the AWP benchmark to another benchmark? MR. ST. PHILLIP: Objection. It assumes facts not in evidence. A. You know, again, this is a battle that we	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	in a different class of MR. ST. PHILLIP: I'm sorry, what I'm not understanding. MS. SCHOEN: Initially you had objected to testimony on the current reimbursed payment rates to pharmacies or retail chains, and then allowed that testimony. My question is whether that same position would hold true for Cigna's purchases of pharmaceuticals from wholesalers? MR. ST. PHILLIP: I mean, I guess the distinction that we are trying to draw here is that Cigna's contractual rates with wholesalers and pharmacies are more competitively sensitive in terms of their relationships in the industries and pricing situations than historical rates. And since this case involves a what
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MR. ST. PHILLIP: Same objection.

A. If I understand the question correctly, we do

not reimburse the retail pharmacies any different rate

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17 (Pages 62 to 65)

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	62	:		ı
-	the parties in this case to have access to	1	relative to a plan that a client may have. The	-
	2 information, we are taking the position that	. 2	reimbursement rate to the retail pharmacies is	
	3 current rates are — the competitive	3	consistent across our base of client and plans.	ł
	4 sensitivity of the current rates are trade	. 4	Q. Besides the example you told me about earlier	
	5 secrets and that include that testimony, and	5	in Arizona, does Cigna own any hospitals or physician	ł
	6 that any historical rate over the time period	6	groups?	ı
	7 of the 13 years that exists in this	7	A. No.	
1	8 litigation are fair game.	8	Q. Can you tell me what RX Prime is?	
	9 MS. SCHOEN: So the upshot of that is	9	A. RX Prime is our - one of our pharmacy plans	Į
-	10 you're still directing the witness not to	10	within Cigna Pharmacy.	1
ı	answer those questions?	11	Q. Can you describe what a pharmacy plan is?	Ì
Ţ	MR. ST. PHILLIP: With respect to	12	MR. ST. PHILLIP: Again, I interpose an	ı
-	current contracted rates.	13	objection based on topic No. 22.	١
ı	Q. Is it correct that Cigna offers different	14	You may answer.	
1	15 plans?	15	Ā. A pharmacy plan is the rates which are	J
	MR. ST. PHILLIP: I'm going to pose an	16	charged to a client for pharmacy services, which	ı
.	objection based on deposition topic No. 22	17	include not only dispensing of drugs both retail and	ı
1	which calls for your clients' relationship	18	mail, but clinical programs and other services that we	1
	l9 with your insureds, including all	19	may provide as it relates to pharmacy.	l
	20 methodologies by which you bill your	20	Q. And how many pharmacy plans does Cigna have?	ı
]:	21 insureds, directly or indirectly, for	21	MR. ST. PHILLIP: Objection based on	ł
12	22 pharmaceuticals and pharmaceutical dispensing	22	topic No. 22.	١
L		<u> </u>		1
1	63	1	65	
1	1 or administration services, which topic was	I	You can answer.	Į
	2 excluded by Magistrate Judge Bowler in the	2	A. I don't have a count of the variations.	l
1	November 2nd, 2004 order.	3	There are, as in any negotiated contract with our	
	4 MS. SCHOEN: This is a background	4	clients, there are variations by client. So the plans	l
	5 question to get to No. 1, which is	5	vary by client. They are specific to client.	l
l	6 reimbursement methodologies and what the	6	Q. So each client plan is going to be a bit	l
	goal is to establish whether the	7.	different from another client's plan?	l
1	8 reimbursement methodologies may differ by	8	MR. ST. PHILLIP: Again, I'm going to	ŀ
4	plan, but before I can ask that question, I	9	object based on topic No. 22, and reserve our	١
1	need to understand if, in fact, Cigna offers	10	right to strike the answer, but I'll allow	l
1	1 . more than one health plan.	11	the witness to answer.	ŀ
1	2 MR. ST. PHILLIP: All right. We'll	12	A. Clients could have a similar plan to another	l
1	3 preserve our rights to strike the answer and	13	client. The client could have a totally different plan	l
1	4 allow the witness to testify.	14		l
1	A. Yes. We offer different plans to different	15.	programs they do or don't want to implement within	
1	6 clients.	16	their client - within their member base.	
1	1 2 · · · · · · · · · · · · · · · · · ·	17	Q. Is Health Source RX another pharmacy plan	
1	8 makes to pharmacists or retail chains vary based on the	18	that Cigna offers?	ľ
1		19	A. Yes, it is.	۱
	A AR OT DITTITUDE OF THE STATE	1		1

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MR. ST. PHILLIP: Another objection

A. It was an acquired plan in our acquisition of

based on topic No. 22.

deposition subject 1.

MR. ST. PHILLIP: I understand that, but

15 is the more specific which exactly states

that for physician-administered drugs,

negotiations with providers about

whether and to what extent your clients'

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18 (Pages 66 to 69)

ŀ		. 66	İ	68
l	1	Health Source and was rolled into other pharmacy plans,	1	reimbursement expressly dealt with a
l	2	so Health Source RX doesn't exist any more in after	2	distinction between (a) the reimbursement of
ľ	3	acquisition.	3	the drug itself and (b) the reimbursement for
	4	MS_SCHOEN: I would just note for the	4	the medical provider's administration
l	5	record that questions regarding RX Prime and	5	service.
l	6	Health Source RX are related to documents	6	That is the question that's asked, and
ľ	7	produced by Cigna.	7	that is exactly the topic that has been
l	8	MR. ST. PHILLIP: And also topics	8	excluded by Magistrate Judge Bowler, so I'm
	9	excluded by Magistrate Judge Bowler on the	9	going to instruct the witness not to answer.
l	10	November 2nd, 2004 order.	10	MS. SCHOEN: This is simply a question
İ	11	MS. SCHOEN: To understand the document,	11	to establish whether, in fact, there is such
l	12	I need to understand what these entities are.	12	
	13	MR. ST. PHILLIP: We reserve our rights.	13	if the distinction between the two. It's
ŀ	14	Q. Did you have an understanding of whether	14	whether did they exist, and that falls
l	15	pharmacies or retail chains receive rebates from	15	directly under all methodologies your client
l	16	pharmaceutical drugs that they dispense?	16	utilized or considered utilizing to determine
l	17	A. I'm not aware of that.	17	the amounts to pay or reimburse to health
l	18	Q. Does Cigna take any steps to encourage	18	care providers, including doctors.
l	19	physician's to use a Cigna Specialty Pharmacy service?	19	MR. ST. PHILLIP: It's our opinion that
	20	MR. ST. PHILLIP: Objection.	20	the specific controls are general and trying
1	21	A. We encourage them to use our specialty	21	to obey Magistrate Judge Bowler's order, that
1	22	pharmacy.	22	as a result we're going to instruct the
L				
l		. 67		69
l	1	Q. How do you do that?	1	witness not to answer.
l	2	A. Through promotional material, phone calls.	2	Q. So to your understanding, the ways that Cigna
	3	Q. Any other ways?	3	encourages a physician to use the specialty pharmacy
l	4	A. No.	4	services provided by Cigna are through promotional
ŀ	5	Q. Do you have an understanding that when a	5	materials and phone calls and no other ways; is that
l	6	physician administers a pharmaceutical in his office,	6	. correct?
l	7	that he will receive an administration fee from Cigna	7	MR. ST. PHILLIP: Objection.
ĺ	8	for that service?	8	Mischaracterizes the testimony.
ŀ	9	A. This is outside -	9	The witness can answer.
:	10	MR ST. PHILLIP: I'm going to object to	10	A. I mean, I answered earlier how we promote our
1	11	the question based on the exclusion of topic	11	service of the specialty pharmacy to doctors is through
1	12	No. 15 in Magistrate Judge Bowler's	12	FAXes, through promotional material, through phone
1	13	November 2, 2004 order which relates to the	13	calls and FAXes.
1	14	exact question posed by counsel, so we'll	14	Q. So the answer to my question is yes?
]	15	move to strike the answer.	15	MR. ST. PHILLIP: Objection. He
	16	MS. SCHOEN: This also goes to	16	answered your question.
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do.

A. Well, I had already previously stated what we

point for a break?

now.

MR. ST. PHILLIP: Is this an appropriate

MS. SCHOEN: Why don't we take a break

Highly Confidential Bloomfield, CT

January 14, 2005

19 (Pages 70 to 73)

Ì				, 70
l	1	(Recess taken.)	1	A. Yes. 72
	2	MS. SCHOEN: Back on the record.	2	Q. So in your understanding, there's no industry
	3	Q. Does Cigna subscribe to any pricing reporters	3	standard relationship between average wholesale price
	· 4	like for example, Redbook, First Data Bank, Med Span?	4	and the wholesale acquisition cost?
ı	5.		5	MR_ST. PHILLIP: Objection.
۱	,6	Q., Can you tell me which ones, or all of them?	6	Are you talking about the entire time
ı	7	A. Many of the industry standard ones: Yes,	7	period?
I	8	Redbook; yes, Med Span; yes, First Data Bank, and I'm	8	MS. SCHOEN: Yes, we are.
ı	٠9.	sure there are others.	9	MR. ST. PHILLIP: Objection.
I	10	Q. Do you know which one Cigna would rely on in	10	A. My understanding is that there's no
ı	11	determining the average price for its pharmacy	11	consistency between what the average wholesale - the
١	12	contracts?	12	wholesale acquisition cost is to AWP. It just varies.
ı	13	A. Our adjudication process uses First Data	13	Q. Has Cigna ever done any analysis of the
١	14 ·	Bank.	14	relationship between the average wholesale price and
l	15	Q. Do you know how Cigna decided which reporter	15	the wholesale acquisition cost generally?
ı	16	to use for that process?	.16	A. Generally, yes.
l	17	A. No, I don't know.	17	Q: And can you tell me generally what the
l	18	Q. Are you aware that different pricing -	18	results of such an analysis were?
ı	19	reporters may list different actual wholesale prices?	19	A. Yes. That there is quite a bit of
l	20	MR. ST. PHILLIP: Objection.	20	variability between the two numbers on a drug-by-drug
ĺ	21 ·	A. I understand there is some variation.	21	basis.
	22	Q. Do you have an understanding of what the	22	Q. Does Cigna have any understanding of the
		. 71	-	73
	1	variation is based upon?	1	relationship between the average wholesale price and
	2	A. My understanding is I've looked at it and	2	the actual acquisition cost for a particular drug?

 A. My understanding is I've looked at it, and it's not significant. It's on a drug-by-drug basis, and the variance is very small. Q. And you don't know why there is such variation -

6 7 MR. ST. PHILLIP: Objection.

Q. - is that correct?

A. My understanding is that it's mostly timing.

10 Q. Timing?

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-12

11 A. In terms of when their databases are updated.

Q. Do you have an understanding of the

relationship between average wholesale price and the 13

14 wholesale acquisition cost?

15 A. I understand the two values, and there's a

16 variation in the relationship between the two.

17 Q. When you say there's a variation in the

relationship between the two, can you tell me what you 18

mean by that? 19

A. In that the difference between AWP and WAC 20

21

22

Q. Drug-to-drug?

the actual acquisition cost for a particular drug?

MR. ST. PHILLIP: Objection to form.

A. Can you either restate it or clarify?

Q. Sure, absolutely.

Do you have an understanding whether

there is a relationship between the average wholesale

prices as published in the reporters that we had

discussed and the actual acquisition cost of drugs

10 generally?

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A. The price that we purchase at versus the

established benchmark of AWP have a tremendous amount

13 of variability. So you're asking again is there a

relationship? There is a tremendous amount of 14

15 variability.

16 Q. So would it be correct to say that Cigna does

not have any expectation that the average wholesale

18 price bears a particular relationship to the actual

19 acquisition cost?

MR. ST. PHILLIP: Objection.

A. The average wholesale price is a benchmark 21

for which we use, and the industry uses, as a mechanism

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20 (Pages 74 to 77)

ļ	1	to set up payments for pharmaceuticals and services	1	. :
	2	back to pharmacies, and what we purchase at is	2	
Ì	3	something different. So that's as I understand it or	3	-
I	4	as we understand it.	4	1
l	5	Q. I think I understand you. I just want to	5	. A.
Ì	6	understand. So you're saying that Cigna does not have	6	costs a
Ì	7	any expectation that the average wholesale price is,	7	. expect
l	8	say, any percentage above actual acquisition cost,	8	we pur
ļ	9	below actual acquisition cost or	9.	-
Ì	10	MR. ST. PHILLIP: Objection go	10	
ļ	11	ahead.	11	Q.
İ	12	A. I have when we negotiate our payment to	12	that Ci
ĺ	13	retailers as a percentage off of AWP, we don't take	13	has use
l	14	and the most of the second sec	14	plus a
l	15.	drugs for from the manufacturers, It - we don't	15	percent
	16	depend on the relationship of what WAC is versus AWP.	16	dispens
l	17	We're concerned about what we're paying for the drugs	17	-
l	18	versus what we are providing services and payments back	18	ways th
	19	to the retailers, so we look at those two pieces.	19	the pres
ı	20	We don't look at the WAC versus AWP.	20	A.
ĺ	21	You've asked that several times. We don't it	21	We ma
	22	doesn't influence us, nor do we have an expectation of	22.	couple
			<u>.</u>	
		. 75		

for me, please. (The court reporter read back.) ·MR. ST. PHILLIP: So - if you understand that, you can answer. Yeah, I mean, I think that our acquisition are separate from AWP, and we don't have any tations of what the relationship is between what rchase the drug for versus what AWP is. MR. WADE: Let me pause for one second. (Discussion off the record.) You explained to me earlier the methodology igna uses to reimburse pharmacies or historically sed since 1991, which was a percentage off of AWP dispensing fee for branded drugs, and either a ntage off of AWP or a MAC list price plus sing fee for generic drugs... Are there any other methodologies or that Cigna has reimbursed pharmacies from 1991 to esent for pharmaceutical products? First of all, we don't reimburse. We pay. ake payments to retail pharmacies. There were a specific instances where we were providing a

what AWP is. We use it as an industry standard benchmark that has been out there for years, and so that's how we set up, how we sell and pay for services, and we use, you know, our negotiating skills in terms of what we buy from manufacturers. We do use WAC as a relationship when we purchase from a wholesaler only. Otherwise, I really don't deal with WAC at all. (The Court Reporter marked the question.).

Q. I was also asking in addition to the question about WAC, I was also asking about actual acquisition costs.

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12 Would the same statement that you just made hold true for the actual acquisition cost, that 14 Cigna does not have an expectation of a relationship between average wholesale price or actual acquisition cost but, in fact, those are two separate pieces?

15 16 17 MR. ST. PHILLIP: Whose acquisition 18 cost? 19 MS. SCHOEN: Cigna's. 20 MR. NOTARGIACOMO: I'll object to the 21 question.

MR. ST. PHILLIP: Could you read it back.

flat fee arrangement regardless of costs up or down to

the retail pharmacy for a period of time, but no longer 3 do that.

4

5

Q. Do you know the time period that Cigna employed the flat fee arrangement?

A. I believe that the time frame was between 6 2002 to - 2002 and 2003 - no, 2002 through 2004 --7 8 excuse me.

9 Q. Can you tell me why Cigna employed the flat fee arrangement during that time period? 10

11 A. It was a request by part of the retail 12 network to do that type of reimbursement, and we 13 complied with the request.

14 Q. When you say part of the retail network, do 15 you mean one particular retail chain?

A. There were two retail chains that were 16 17 involved in that type of pricing.

18 Q. And can you describe to me how the flat fee 19 arrangement worked?

20 A. It was literally a flat fee. For every

prescription provided, we would provide a payment of a 21 flat fee.

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A. No.

contracts already.

Q. And why not?

A. For specific relationships that we have

I have to disclose my retail contracts in that, you

Q. Well, we have a number of your retail

sampling was sufficient for purposes of

know, specific detail. What's the point?

contractual relationships with - and I don't know that

MR. ST. PHILLIP: And we agreed that a

21 (Pages 78 to 81)

1		· · · · · · · · · · · · · · · · · · ·		21 (1,4505 70 to 61
		78		80
ļ	1	Q. Was that fee in lieu of both the AWP minus	1	disclosing that information, at least in
	2	and the dispensing fee?	2	discovery, so —
	. 3	A. Yes.	3	MS. SCHOEN: To the extent we have not
-	4	Q. Can you give me an estimate of what	4	received it, we will request one of these
۱.	5	percentage of the pharmaceuticals dispensed to members	5	contracts as a sample to make the sample
١	6	were covered by this flat fee arrangement during this	6	representative.
1	7	time period?	7	Q. In your opinion, would actual acquisition
1	8	MR. ST. PHILLIP: Percentage of	8	costs be a practical way to - a practical benchmark to
1	9.	pharmaceutical —	9	reimburse pharmacists on for pharmaceutical products?
1	10	MS. SCHOEN: I want to have some way to	10	MR. ST. PHILLIP: Objection to form.
۱	11	quantify it, so whichever way is easier for	11	A. Can you restate that for me, please?
1	12	you.	12	Q. Sure.
l	13	A. I would say, at most, 1 percent of	13	Instead of using AWP, would the
١	14	prescriptions dispensed in a year.	14	pharmacists' actual acquisitions cost for the drug be a
١	15	Q. Can you tell me did the flat fee arrangement	15	practical benchmark for Cigna to employ to reimburse
ı	16	end in 2004?	16	the pharmacists for the products that they dispense?
١	17	A. Yes.	17	MR. ST. PHILLIP: Objection. It calls
ı	18	Q. Can you tell me why it ended at that time?	18	for speculation.
l	19	A. It was different than everything else we were	19	A. It's a plausible way of doing it. Again, it
	20	doing in the network, and we wanted to get all of our	20	is against the standard that's out there, and in a
1	21	pharmacy relationships to comply to one standard	21	competitive environment it wouldn't be appropriate for
	22 .	methodology rather than having this outlier, and we	22	us to implement because it's outside the norm.
L		·		· · · · · · · · · · · · · · · · · · ·
		79		
	1	wanted to get rid of the outlier.	1	Q. If Cigna were to have used or to use, going
ļ	2	Q. So Cigna went to the retail networks that had	2	forward, the actual acquisition cost as a benchmark for
ı	3	requested this and said, We're not going to do this any	3	reimbursement, would that change the amount that it
	4	more?	4	ultimately reimburses the pharmacists or pays to the
ı	5	A. Yeah. We renegotiated the contracts.	5	pharmacists rather?
ļ	6	Q. Besides the flat fee arrangement that you	6	MR. ST. PHILLIP: Objection.
l	7	just described, are there any other methodologies or	7	With all pharmacy products?
l	8	ways that pharmacists have been reimbursed - have been	8	MS. SCHOEN: As a general matter, yes,
	9	paid rather since 1991 for pharmaceutical products?	9	instead of the AWP standard which is
1	0	A. No.	10	currently used.
]	1	Q. Can you tell me which retail networks	11	MR. ST. PHILLIP: If you can answer it.
)	2	requested the flat fee arrangement?	12	A. I don't know how to answer it. I mean - I
ĺ	_			a man a man a mont to outply of the 't through and

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don't know.

Q. If I did use a different benchmark, however,

MR. ST. PHILLIP: Objection. It calls

A. We would want to use the same benchmark that

the competitive dynamics that you described to me

earlier would still be the same in terms of the

the rest of the industry is using unless our clients

payments to the pharmacists?

for speculation.

request us to do something different.

22 (Pages 82 to 85)

1 Q. You told me earlier about Cigna's preparation of its MAC list. 2 Typically the analyst reports do not break out 3 pharmaceuticals from the rest of their business: All 4 we see is a cost of goods, and we make some estimates to determine what their protential profit margin may be on denge, but it does not play a role, or you can't tell 4 we see is a cost of goods, and we make some estimates to determine what their potential profit margin may be on drugs, but it doesn't specifically tell us. 7 Q. Can you tell me, based on those analysts' 8 reports, what have you concluded about the margin that pharmacists are making on the drug? 1 A. Yes. 1 A. Yes. 1 A. We not term? 1 A. Yes. 1 A. We not term? 1 A. Usual and customary as it relates to pharmacy? 1 A. Usual and customary as it relates to pharmacy? 1 A. Usual and customary as it relates to pharmacy? 1 A. Usual and customary is a price that is 1 determined by a pharmacy. If an uninsured person would if go in and get a prescription filled, that would be the cash price. 2 Q. Do you have an understanding of whether the usual and customary price that's set by a pharmacist 2 go back's to reporting, but again, at's an indicator for us to inake some decisions on how much markup we believe they should receive on top of the acquisition costs that we've estimated they can acquire the pharmacuticals for some stimates on top of an estimate on top of the acquisition costs 2 go back's to reporting, but again, at's an indicator for us to inake some decisions on how much markup we believe they should receive on top of the acquisition costs 2 go back's to reporting, but again, at's an indicator for us to inake some decisions on how much markup we believe they should receive on top of the acquisition costs 2 go back's to reporting, but again, at's an indicator for us to inake some decisions on how much markup we believe they should receive on top of the acquisition costs 2 go back's to reporting, but again, at an indicator for us to in				<u> </u>
1 Q. You told me earlier about Cignu's preparation of its MAC list. 2 anyou tell me if AWP plays any tole in. 3 Can you tell me if AWP plays any tole in. 4 compiling the MAC lists? 5 A. No. 6 Q. It does not play a role, or you can't tell 7 me? 8 A. It does not play a role, or you can't tell 9 Q. Do you have an understanding of the term 10 usual and customary? 11 A. Yes. 12 Q. Can you tell me what your understanding is 12 of that term? 13 A. Usual and customary as it relates to 15 pharmacy. 16 Q. Yes. 17 A. Usual and customary as it relates to 15 pharmacy. 18 determined by a pharmacy. If an uninsured person would go go in and get a prescription filled, that would be the usual and customary price that's set by a pharmacist. 19 would be higher or lower than the wholesale price? 2 A. Tan not sure how they set their usual and customary. 20 Q. Can you tell me when that was? 31 would be higher or lower than the wholesale price? 32 A. It's part of our existing plans where if the member's co-pay is greater than the usual and customary submitted by the pharmacy, we will give the lesser of 11 the two, so that if AWP — if the co-pay was a hundred dollars, and usual and customary is 78, the member would pay \$78 to the pharmacy. 34 Q. Earlier you testified that Cigna does some an analysis or looks at analysis reports regarding pricing. 35 MR. ST. PHILLIP: Objection. It calls information as estimates to allow us to establish what imischaracterizes the testimony. 36 A. Yes. That's not what I was saying. What I was saying. What I was saying will in the mischaracterizes does in have? 36 A. It's part of our existing plans where if the member's co-pay is greater than the usual and customary price? 37 A. Yes. 38 A. It's part of our existing plans where if the member's co-pay is greater than the usual and customary is 178, the member would pay \$78 to the pharmacy. 39 A. Yes. The first our testified that Cigna does some analysis or looks at analysis reports regarding plansmacy margins and its determination of MAC list pricing. 39 A.		82		84
Can you tell me if AWP plays any role in. compilling the MAC lists? A. No. Q. It does not play a role, or you can't tell me? A. It does not play a role, Q. Do you have an understanding of the term usual and customary? A. Ves. Q. Can you tell me what your understanding is dithat term? A. Ves. Q. Can you tell me what your understanding is dithat term? A. Ves. A. It does not play a role, Q. Can you tell me, based on those analysts' reports, what have you concluded about the margin that pharmacists are making on the drug? A. You mean — A. You mean — A. You mean — A. You mean — A. You mean — A. You mean — A. Are you looking for specific amounts or —I don't know what the specific numbers are. Tell about the go hack to reporting, but again, it's an indicator for us to make some decisions on how much markup we believe they should receive on top of the acquisition costs that we've estimated they can acquire the usual and customary price that's set by a pharmacist would be higher or lower than the wholesale price? A. Yes. Q. Can you tell me when that was? A. It got make your don't have termination on the MAC pharmaceuticals from the rest of their business. All we week is a cost of goods, and we make some estimates to determine what tit doesn't specific numbers are. The condition of the college what pharmacists are making on the drug? A. You mean — A. You poulded meaning of the term us to make you they set d	1	Q. You told me earlier about Cigna's preparation	-1	some indication about what their profit margins are.
4 we see is a cost of goods, and we make some estimates to determine what their potential profit magnin may be on drugs, but it doesn't specifically tell usual and customary? A Yes. 10 Usual and customary as it relates to 15 pharmacy? 11 A. Usual and customary as it relates to 15 pharmacy? 12 Q. Can you tell me what your understanding is 13 of that term? 13 of that term? 14 A. Usual and customary as it relates to 15 pharmacy? 16 Q. Yes. 17 A. Usual and customary is a price that is 18 determined by a pharmacy. If an uninsured person would 19 go in and get a prescription filled, that would be the 20 cash price. 21 Q. Do you have an understanding of whether the 22 usual and customary price that's set by a pharmacist 31 would be higher or lower than the wholesale price? A Yes. Q Has Cigna ever reimbursed for pharmaceutical products based on a usual and customary price? A A. It's part of our existing plans where if the member's co-pay is greater than the usual and customary is \$78, the member is would pay \$78 to the pharmacy, we will give the lesser of the two, so that if AWP - if the co-pay was a hundred 20 dollars, and usual and customary is \$78, the member is analysis or looks at analysis' reports regarding 15 products based on a usual and customary is \$78, the member is analysis or looks at analysis' reports regarding 15 macharacterizes the testimony. A Yes. That's not what I was saying. What I was saying was I was that was the testimate of the III. It's colipection. It callis information at hand to tell you today. Q So sitting here right now, I can't, out of memory, pull out specifically relia to don those analysts of colos at analysts' reports regarding 15 memory, pull out specifically reliance 15 memory, pull out specifically reliance 15 mode on those on the drugs that you dispense? A Yes. That's not what I was saying. What I was saying. What I was saying was III. It's pricing. A Yes. That's not what I was saying. What I was saying was III. It's pricing. A Yes. How hat have you conday. A Ye	2	of its MAC list.	2	Typically the analyst reports do not break out
5 A. No. 6 Q. It does not play a role, or you can't tell 7 me? 7 Q. Can you tell me, based on those analysts' 8 A. It does not play a role. 9 Q. Do you have an understanding of the term 10 usual and customary? 11 A. Yes. 12 Q. Can you tell me what your understanding is 13 of that term? 14 A. Usual and customary as it relates to 15 pharmacy? 15 Q. Yes. 16 Q. Yes. 17 A. Usual and customary is a price that is 18 determined by a pharmacy. If an uninsured person would go for in and get a prescription filled, that would be the usual and customary price that's set by a pharmacist 18 determined by a pharmacy. If an uninsured person would be the usual and customary price that's set by a pharmacist 19 would be higher or lower than the wholesale price? 21 Q. Do you have an understanding of whether the usual and customary price that's set by a pharmacist 22 would be higher or lower than the wholesale price? 24 A. I'm not sure how they set their usual and customary. 25 A. Yes. 26 Q. Can you tell me when that was? 27 Q. Can you tell me what your understanding is of that would be the part of our cakising plans where if the member's co-pay is greater than the usual and customary price? 26 A. Yes. 27 Q. Can you tell me what pour understanding is of that would be the part of our cakising plans where if the member's co-pay is greater than the usual and customary submitted by the pharmacy, we will give the lesser of the two, so that if AWP — if the co-pay was a hundred dollars, and usual and customary is \$78, the member would pay \$78 to the pharmacy, we will give the lesser of the two, so that if AWP — if the co-pay was a hundred dollars, and usual and customary is \$78, the member would pay \$78 to the pharmacy. 29 Q. Earlier you testified that Cigna does some analysis or looks at analysts' reports regarding in the trust that is information at hand to tell you today. 30 A. Yes. That's not what I was saying. What I is mischaracterizes the testimony. 31 A. Yes. That's not what I was saying. What I is mischaracterizes the testimony. 3	3	Can you tell me if AWP plays any role in.	3	pharmaceuticals from the rest of their business: All
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disclosed to the public.

As I look through the deposition, I

23 (Pages 86 to 89)

86 To describe it, we have one formulary with some 1 don't see anything specific to rebates, so I 2 . variations to it. 2 preserve an objection based on a rebate line 3 Q. Would it be correct to say that the rebates 3 of questioning, but I'll allow the witness to that Cigna receives from pharmaceutical manufacturers 4 answer. are provided to Cigna in exchange for placement on the 5 A. Can you restate the question? Cigna formulary? . 6 Q. I don't think there's a question pending. MR. ST. PHILLIP. Object. 7 MR. ST. PHILLIP: I was trying to get 8 A. If it's determined that it is a preferred 8 that objection into the pending question. I 9 drug - it goes on our formulary - all drugs are on 9 may or may not have been successful in that 10 our formulary. I guess that's the first point. If 10 regard. it's a preferred drug; there may be financial 11 11 Can you tell me has Cigna taken any actions 12 arrangements that are created by keeping it on as a since 1991 to reduce the total expenditures for 12 13 preferred drug with the manufacturer. 13 pharmaceutical benefits? Q. And in exchange for keeping the drug on the 14 14 MR. ST. PHILLIP: Objection. formulary, the manufacturer may give Cigna a rebate for 15 15 I need a clarification. Whose utilization of that drug; is that correct? expenditures? Cigna's or its members? 16 17 MR. ST. PHILLIP: Objection. 17 MS. SCHOEN: Cigna's. Let's start with 18 A. By placement as a preferred drug on the 18 formulary, there is an opportunity to receive a rebate, 19 A. I'm not clear I understand the question. 20 but not necessarily a given. 20 Q. What actions, if any, has Cigna taken to 21 Q. Do certain of the Cigna agreements with 21 reduce its total expenditures on pharmaceutical pharmaceutical manufacturers provide for increasing 22 products? 87 89 rebates as Cigna increases the utilization of a 1 A. I mean, there have been many actions to 2 particular drug amongst its members? 2 reduce our overall costs that a client would pay 3 MR. ST. PHILLIP: Objection. 3 through formulary management, contract negotiations, 4 A. It -- the rebate thresholds could go up based 4 both with the pharmaceutical manufacturers to retail on level of market share that the drug receives, which 5 5 pharmacies to establishing clinical programs, and look 6 may or may not be tied to utilization. It all depends 6 at utilization of high dollar drugs, and brand or 7 on its relationship to other drugs that are being 7 generic conversion programs where there's a 8 dispensed, but not necessarily based on volume. 8 therapeutically equivalent generic to a brand, moving 9 Q. So some of the rebate agreements Cigna may 9 folks to generics, where possible, would be some of the 10 have with pharmaceutical manufacturers have market methods we've employed to reduce expenses. 10 11 share -11 Q. Would implementing the specialty pharmacy 12 A. Yes. 12 program be one of those methods? 13 Q. - provisions? 13 A. Yes. MR. ST. PHILLIP: Hold on just for the 14 14 Q. Prior to starting employment at Cigna, did 15 record. I note that deposition subject 15 you have any understanding of the term average No. 12 deals with our understanding of 16 16 wholesale price? 17 whether drug manufacturers provided health 17 A. No. care providers or pharmacies with discounts, 18 18 Q. Or postal acquisition cost? 19 rebates, and other incentives that are not 19. A. No. 20 reported in pricing compendia or otherwise 20 Q. Do you have an understanding of how the

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average wholesale price is set?

A. I have an understanding that First Data Bank,

24 (Pages 90 to 93)

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ļ	~ 90		92
ı	1 at least the one we use, uses a series of sources to	1	that it has ever contracted with within a time period?
1	2 determine what the appropriate average wholesale price	2	A. Define claims.
ļ	3 should be for each specific drug. What sources it	3	MR. ST. PHILLIP: Yeah. I object
	4 uses, I don't know, but that they have some form of	4	insofar as it calls for a legal conclusion,
1	5 methodology, but it's an industry standard that we've	5	but go ahead.
4	6 just used.	6.	A. What do you mean by claims?
1	7 MR. ST. PHILLIP: And just for	7	Q. Bringing an actual litigation.
1	8 clarification, I don't know if the witness is	- 8	A. Oh, an action. Not that I'm aware of.
1	9 talking about the entire period at issue,	9	(Discussion off the record.)
1	10 . which is 1991 to present, or otherwise, so I	10	(Lunch recess taken at 12:30.)
١	just want to make the record clear if that's	11	(Testimony resuming at 3:10.)
l	12 - his answer for the whole period or not.	12	(Exhibit Greenebaum 001 marked.)
ļ	13 THE WITNESS: I would say it's for the	13	MR. ST. PHILLIP: While we're here, I'd
١	14 whole period.	14	like to designate the transcript highly
l	15 Q. Have you ever heard the term used "ain't	15	confidential under the protective order, and
Ī	16 what's paid"?	16	as I understand it, it gives me time to view
	17 A. No. What is that?	17	it within 30 days to undesignate matters that
1	18 Q. Instead of average wholesale price?	18	aren't highly confidential, but I would like
ľ	19 A. Oh, no.	19	to make that designation.
ŀ	Q. To your knowledge, have any pharmacy benefit	20	MS. SCHOEN: Back on the record.
ŀ	21 managers conspired with drug managers to inflate any	21	MR. ST. PHILLIP: It's okay with you?
ŀ	22 drug's average wholesale price?	22	MS. SCHOEN: Yes. I have no objections
ı	·		
L			
ŀ	91		02
ŀ	91 MR. ST. PHILLIP: Can you read that back	I	93 to your designating the transcript as highly.
	· · · · · · · · · · · · · · · · · · ·	I 2 ·	93 to your designating the transcript as highly confidential.
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submitted as a claim.

reviewing the claim records relative to appropriateness

based on formulary DAW, and then the onsite audits

would be reviewing these records that they would keep

onsite and compare those records with what was actually

25 (Pages 94 to 97)

MS. SCHOEN: You may have a continuing Q. And how often might Cigna conduct such an 2 audit? A. In general, it is: However, this - in 3 3 A. Periodically. general, yes, this is what we use. 4 4 Q. And can you – by periodically, would you 5 mean every six months, every two years? Something Q. And I'd just like to direct your attention to 6 the page that's Bates numbered Cigna 039, which is also 6 else? 7 page 5 of the document. 7 A. It depends on the desk audits. If the desk 8 A. Okay. 8 audits are reviewing issues will trigger us to do an 9 Q. At the bottom there's a paragraph No. 5 onsite audit, so it depends on what we find. 10 entitled Access to Books and Records. Do you see that? Q. How often might you do the desk audit? 11 A. Uh-hum. 11 A. We look at them on a 90-day cycle when we are 12 Q. Would you mind - are you familiar with the reviewing 90 days worth of data and then going through provisions in this — 13 the audit process. So it's - I guess I would call it 14 A. If I could read it for a minute, please. 14 quarterly but it's ongoing. Q. Absolutely. Take your time. 15 15 Q: I'd also like to direct your attention to the 16 A: Yes? 16 last page of this document which is Exhibit A. If you Q. Do you have an understanding of what would take a moment and familiarize yourself with this 17 17 paragraph 5 provides? section if you're not already. 18 18. 19 MR. ST. PHILLIP: Objection. Insofar as 19 A. Okay. 20. it calls for contractual interpretation which 20 Q. Would you say that the reimbursement for 21 would be a legal matter, and this witness is 21 covered services as described here in Exhibit A is a 22 not authorized to provide legal guidance. 22 fair representation of Cigna's contracts generally with 95 To the extent that you can answer, you 1 pharmacists? 2 2 may do so. MR. ST. PHILLIP: Objection based on 3 A. From a pharmacy law perspective, these types 3 subject 25. The witness can answer. 4 4 of documents that they're referring to have to be kept A. In general, this is the format for which we 5 by the pharmacy provider, and that access to those, 5 would contract for services. 6 both from a regulatory perspective and also from an 6 Q. In your experience, how often is the audit perspective on our part, they may need to be 7 7. reimbursements based on the pharmacy's usual and 8 available. That's my interpretation. 8 customary charge as provided in the second line item 9 Q. Does Cigna ever take advantage of the audit 9 here in Exhibit Greenebaum 001? 10 rights provided by this type of contractual provision? 10. A. Are you asking what percentage of the time A. Yes. 11 11 does that go into effect? I don't know. I don't have 12 12 MR. ST. PHILLIP: Objection. Same the data to provide that in this setting. 13 objection as the previous one. 13 MS. SCHOEN: Those are all my questions 14 Q. Can you describe in broad terms what types of 14 about that exhibit. 15 audits Cigna may conduct on pharmacies? 15 Let's mark this as Exhibit Greenebaum 002. 16 A.. In broad terms, we will conduct desk audits 16 (Exhibit Greenebaum 002 marked.) along with onsite visits. Desk audits would be 17 17 Q. I'm handing you what's been marked as

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A. Okay.

Exhibit Greenebaum 002. I'd like to direct your

are the only two pages we'll be looking at today.

attention to the last two pages of the document which

Q. The title of the third page of the document

26 (Pages 98 to 101)

r-	(0			
	3	ġ		
1	1 is Deposition Subjects.		I not aware of rebates that drug manufacturers may	ıu
	2 Have you seen this document before?	1	2 provide to pharmacies, is that correct?	
٠	3 MR. ST. PHILLIP: We're only talking	1 3	A. Correct.	
	4 about the last two pages?	. 4	Q. Are you aware of any other type of discount	
1	5 MS. SCHOEN: Exactly. We are only	. 4		
1	6 talking about the last two pages of this	1 6		
1	7 document that come under the heading	1 7	Q. For example, a discount based on direct	•
	8 Deposition Subjects, and lists 25 line items.	1 8		
	9 A. Yes, I've seen this before.	9	_ ·	
	Q. Just directing your attention to line item 3,	10	but I don't know what the arrangements are with the	
]	1 can you tell me the identities of or job position	$ _{11}$	manufacturers.	,
1	2 titles of individuals who have been involved in the	12		ı
1	3 decision of selecting the reimbursement methodologies	13		
1	4 that we've discussed today?	14	Medicare's reimbursement rate?	۱,
] 1	5 MR. ST. PHILLIP: And for this witness	15		
1	6 we're excluding the proviso?	16	MS. SCHOEN: Strike that actually.	ı
1	7 MS. SCHOEN: Absolutely. We're just	17	I think at this time I have no further	.
1	8 talking about what we discussed today, which	18	questions, but I'd Life to take no miriner	1
1	9 would be limited to the pharmacy side of the	19	i i	
1 2		20		1
2	MR. ST. PHILLIP: Okay.	21		ĺ
2		22	5 stores, and from stop out for a	1
L	. 1,5	. 2.2	few minutes, and then, Ed, are you going to	
1		1		4
) ;	95 through from '91 to current?	١,	have a few anation 6 of the control of	
1 2	Q. Right, and I understand that you're not going	1 2	have a few questions for the witness?	1
1 3		3	MR. NOTARGIACOMO: Yes. I'm going to	ľ
] 4		4	have a few minutes' worth of questions.	1
1 3		5	MR. ST. PHILLIP: Okay, so we'll step out.	
1 6			·	
1 7		6	MR. NOTARGIACOMO: I don't have very	l
8		′	many questions. It shouldn't take more than	ı
وا		8	five or ten minutes.	ı
10	payment methodology currently, and my staff that work	9	MR. ST. PHILLIP: Okay.	
11		10		ı
12		11	CROSS, EXAMINATION	
13		12	BY MR. NOTARGIACOMO:	ľ
		13	Q. Mr. Greenebaum, my name is Ed Notargiacomo,	
14 15		14	as I said at the beginning of the deposition - I think	l
	- ·	15	I may have said. I represent the Plaintiff in this	ł
16	I I	16	action, and I have just a few follow-up questions	ı
17	· See - See - Manager Broad of the	17	following your testimony earlier today.	
18		18	I believe you testified earlier about -	١.
19	the reimbursement methodologies that we've discussed	19	and just to preface, I'm having some problems with my	
20	today?	20	phone, so if you can't hear me, let me know, and I'll	1
21	-	21	repeat the question.	
22	Q. I believe you testified earlier that you were	22	A. Okay.	

27 (Pages 102 to 105)

102

 Q. You testified earlier about how you were asked how each negotiation with pharmacies are unique

as far as they vary by location or by pharmacy group.

Do you remember those questions?

A. Yes, I do.

Q. And you said that there was variation based.

on negotiation; do you remember that?

8-A. Yes.

9 Q. Now, those variations, however, eventually

manifest themselves as a price that is expressed as a 10

percentage discount off of AWP, is that correct? 11

12 AWP or MAC with the dispensing fee.

Q. So AWP in the context of a name brand drug, 13

correct? 14

15. A. Correct.

Q. And MAC for those drugs that are on Cigna's 16

17 MAC list?

18 A. Correct.

Q. Can you tell me, with respect to the claims 19

20 data that Cigna collects with respect to its

transactions, do you know whether the claims data 21

captures information about whether the payment to 22

A. Well, what we pay pharmacies is based on what

we do with the rest of the marketplace, which is a

percentage off of AWP based on the criteria that we discussed earlier.

Q: If I were to tell you that a manufacturer set

its price -- this is just a theoretical number - at a

thousand percent over the actual cost of the particular

drug; is that something that you would find relevant in

- is that something you would take into account in

negotiating prices that you paid to pharmacists?

MS. SCHOEN: Objection to form. 12 A. When you say a thousand percent, over what?

Q: Over the actual cost -- let's say the actual 13

average cost of the drug. 14

A. Over WAC are you saying?

MS. SCHOEN: Objection to form.

17 Q. I'm talking not necessarily a benchmark WAC,

18 but actual invoice prices? .

A. I don't know -- with the retail pharmacies, I 19

20 won't know what they're acquiring it for. We would be

21 concerned from drugs that we would purchase if the AWP

was significantly out of the normal range from what we 22

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pharmacies was based on AWP or MAC or U & C -- usual

2 and customary?

A. Yes, we do track that data within our 3

4 databases.

5 Q. So for any particular transaction, if I

6 wanted to know what the basis of payment was, Cigna's

7 claims data could tell me the answer to that question,

8 is that right?

9 That is true, yes.

Q. You testified that when you were asked, you 10

11 had no expectations about the interrelationship between

AWP and the actual acquisition costs of drugs. 12

13 Do you remember that question?

14 A. Yes.

17

15 Q. And you testified Cigna did not have any

16 expectation about that relationship.

Do you remember that?

18 A. That's correct.

19 Q. By that answer, did you mean that Cigna

20 doesn't focus on the relationship between AWP and the

actual acquisition costs when it's figuring out what

22 it's going to pay to pharmacies?

would acquire it for.

Q. Well, for that answer is it reasonable to say

3 that as far as your understanding of the industry, that

AWP does bear some relationship to the actual costs

that are paid for drugs in the marketplace?

6 A. I'm not -- I guess I'm not clear on what

you're trying to ask.

Could you restate that, please?

Q. Sure.

10 If I were to tell you that -- if you

11 were to come to some understanding that average

12 wholesale prices in general were inflated by 10

13 percent, is that something that you would find relevant

14 in your negotiations with retail pharmacies? 15

MS. SCHOEN: Objection to form.

16 A. Would I be concerned if it was inflated? Is

that what you're asking me?

18 Q. Basically, yes.

A. Yes, I'd be concerned.

Q. In your experience, if AWPs were priced -

21 again just theoretically - 10 percent higher than they

22 are today across the board for all drugs, do you expect

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